Comments on 9/2005 Draft of California Energy Commission 2005 Integrated Energy Policy Report, Chapter 2

9/29/2005 Committee Hearings

Imperial Valley Biorefining, Inc.

Summary of Impressions

- Overall excellent analysis and recommendations
- Would benefit from inclusion of job creation, economic growth, trade balance impacts
- Recommendation timeline penalizes local projects, reduces ability of California to benefit from some valuable Energy Policy Act provisions
- Imperial Valley Biorefining project used to Illustrate omitted benefits, timing penalties

- Proposal(s) State/private sector collaboration to achieve goals

Imperial Valley Biorefining Project Overview

- Start up 20 million gallon per year facility on molasses within 1 year after permitting completed
- Add whole sugarcane feedstock after startup, expand to 60 MMGPY
- Add one 100 MMGPY facility each year with goal of 500 MMGPY capacity by 2012
- IVB Goal: Robust network of biorefineries with capacity to produce 1+ billion gallons per year of fuel ethanol for gasoline blending, and E85 to fuel growing fleet of E85 Flexible Fuel Vehicles (FFVs)

Alignment of IVB Project with Committee Recommendations

- Significant displacement of petroleum, increased fuel diversity and security
- Stabilizing impact on gasoline prices
- Positive impact on greenhouse gas emissions
- Delivery system takes advantage of open rail capacity from Gulf Coast to California
- Coordinated Federal, State, Local multifaceted approach
- Community and grower support – No NIMBY attitude
- Healthy State ethanol industry can support significant R&D, market development activities, fund capacity expansions, aid State in long term fuels strategy development

Report Table 1 (page 11) Issues

Benefits	**E10**	**E85**
Report Values		
2025 Gasoline Displacement, B GPY	**0.48**	**1.61**
Direct Environmental Benefit, B 2005$	**1.98**	**0.20**
Direct Non-Environmental Benefit, B 2005$	**0.00**	**0.00**

Comments

2025 Gasoline Displacement, B GPY -- Total of 3-5 B GPY possible

Direct Environmental Benefit, B 2005$ -- Why is E85 less than E10?

Direct Non-Environmental Benefit, B 2005 -- Value expected to be large; quantification depends on accounting, element valuation.

Socioeconomic Benefits*

	Output, MM GPY	
Benefits	**60**	**1,000**
Permanent Jobs	1,200	20,000
Invested Capital, $MM	146	2,400
Construction Spending, $MM**	351	5,900
Increase in Local Economy Base, $MM	152	2,500
Incr. in Annual Household Income, $MM	303	5,100
Red. In Ann. Gasoline Imports, MM Gal.	79	1,300
Balance of Trade @ $1.50/Gal., $MM	119	2,000
Tax Revenue	?	??

*** Estimates from studies in other states (Kapell and Urbanchuck)**

**** One time spending over years of construction**

Energy Policy Act (EPA) Timing Issues

- EPA provides way for State to leverage its efforts to reduce fossil fuel use
- Sunset legislation (2012) limits window of opportunity for private sector participation, and leveraging of State Efforts*
- Gulf Coast damage will limit availability of most funds for reducing fossil fuel use
  - Most funds requiring appropriation stillborn
  - Most funds not requiring appropriation survive

* EPA Title XV Subtitle A, Sect. 1501 (a)(2) [HR6-page 477, Thomas]

Proposed Solution to Timing Issues

- **Test deployment of Flexible Fuel Vehicle (FFV) Fleet in parallel with Recommended Program, monitored by stakeholder group to learn directly, and prevent to abuses**
- Increase population of FFV in Southern California running on E85
  - Executive Order for all government vehicles
  - Federal government increase FFV use on military bases
- Install dispensing pumps under temporary permit
  - Military bases
  - Civilian locations
- Fast-track zoning/permitting of cellulose-to ethanol facilities (no reduction in standards)